

**DENTON COUNTY FRESH WATER SUPPLY
DISTRICT NO. 1-A**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
BALANCE SHEET	12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE STATEMENT OF ACTIVITIES	16
NOTES TO THE BASIC FINANCIAL STATEMENTS	17

CONTENTS

OTHER SUPPLEMENTARY INFORMATION

SCHEUDLE OF REIMBURSEMENTS TO (FROM) OTHER GOVERNMENTAL UNITS - GENERAL FUND	54
SUPPLEMENTARY INFORMATION - REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	
NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (Included in the notes to the basic financial statements)	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)- GENERAL FUND	56
SERVICES AND RATES	57
GENERAL FUND EXPENDITURES	60
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS	62
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	64



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denton County Fresh Water
Supply District No. 1-A
Denton County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Denton County Fresh Water Supply District No. 1-A (the District), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

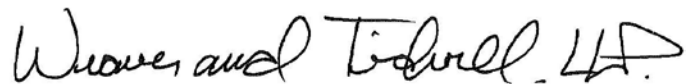
In accordance with Government Audit Standards, we have also issued our report dated October 15, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussions and Analysis (on pages 3 through 9) and General Fund budgetary comparison information (on page 56) are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Denton County Fresh Water
Supply District No. 1-A

Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents on page 54 and 55 and on pages 57 through 65 (required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide*) are not a required part of the basic financial statements. The accompanying supplementary information, excluding the portion marked "Unaudited" has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information marked "Unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." with a stylized flourish at the end.

WEAVER AND TIDWELL L.L.P.

Dallas, Texas
October 15, 2013

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Our discussion and analysis of Denton County Fresh Water Supply District No. 1-A's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at September 30, 2012 by \$2,295,181. Of this amount, \$927,852 is invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net assets restricted for specific purposes total \$232,532. The remaining net assets balance of \$1,134,797 is unrestricted.
- The District's net assets increased by \$270,834. Unrestricted net assets, which may be used to meet the District's ongoing obligations to residents and creditors, increased by \$141,418. The primary reasons for the increase are the contributions received during the current fiscal year from other Districts to fund reserves.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,275,030, a net increase of \$320,357 in comparison to the prior year.
- On a government-wide basis, the District's total liabilities decreased by \$6,222,938 during the current fiscal year. The primary cause of the decrease is the repayment of developer advances from the new bond issuances, PID 3 and PID 4.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of a series of financial statements. The basic financial statements include: (1) government-wide financial statements and (2) fund financial statements and (3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The District's annual report includes two financial statements composing the government-wide financial statements. The government-wide statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the statement of net assets on page 10. The statement of net assets includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District, as a whole, is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Government-wide financial statements (continued)

The statement of activities on page 11 reports how the District's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net assets and statement of activities are prepared utilizing the accrual basis of accounting.

Fund financial statements

The statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund-types. The General Fund accounts for resources not accounted for in another fund, and include customer service revenues, costs and general expenditures. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs. The Ground Storage Capital Fund accounts for bond proceeds and uses related to the District's Pump Station Improvements Project.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-time inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The reconciliation of the governmental funds balance sheet to the statement of net assets on page 14 and the reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities on page 16 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

Notes to the basic financial statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 53 in this report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Other information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. The District prepares a schedule of reimbursement from other governmental units on pages 54 and 55 and information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* on pages 57 through 65.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,295,181 as of September 30, 2012.

A portion of the District's net assets reflects its investments in capital assets (e.g. lift station, vehicles and equipment, and leasehold improvements), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to the other districts in the Castle Hills Subdivision.

The following is a comparative analysis of the government-wide statements of net assets:

	Summary of Changes in the Statement of Net Assets		
	2012	2011	Change
Current and other assets	\$ 6,115,625	\$ 11,884,855	\$ (5,769,230)
Capital assets (net of accumulated depreciation)	4,045,797	4,228,671	(182,874)
Total assets	10,161,422	16,113,526	(5,952,104)
Bonds and capital leases-noncurrent	2,933,388	3,242,758	(309,370)
Due to developer-noncurrent	4,171,194	10,223,735	(6,052,541)
Other liabilities	761,659	622,686	138,973
Total liabilities	7,866,241	14,089,179	(6,222,938)
Net assets			
Invested in capital assets, net of related debt	927,852	966,986	(39,134)
Restricted	232,532	63,982	168,550
Unrestricted	1,134,797	993,379	141,418
Total net assets	2,295,181	\$ 2,024,347	\$ 270,834

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended September 30, 2012 and 2011. The District's net assets increased by \$270,834 or a 13.4% increase in net assets.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Project management fee	\$ 386,802	\$ 286,739	\$ 100,063
Contracted services	107	4,996	(4,889)
Charges for services	20,015	20,015	-
Federal revenues	-	-	-
Capital contributions	341,858	-	341,858
Operating contributions	280,000	710,000	(430,000)
Other revenues	40,596	9,556	31,040
Total revenues	<u>1,069,378</u>	<u>1,031,306</u>	<u>38,072</u>
Expenses:			
Expenses for services	601,538	227,888	373,650
Capital lease principal payments	-	-	-
Interest expense	11,477	5,671	5,806
Depreciation	185,529	96,492	89,037
Total expenses	<u>798,544</u>	<u>330,051</u>	<u>468,493</u>
Change in net assets	270,834	701,255	(430,421)
Net assets, beginning of year	<u>2,024,347</u>	<u>1,323,092</u>	<u>701,255</u>
Net assets, end of year	<u>\$ 2,295,181</u>	<u>\$ 2,024,347</u>	<u>\$ 270,834</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2012, was \$1,275,030, a net increase of \$320,357 from the prior year.

The General Fund had an increase in fund balance of \$133,856.

The Capital Projects Fund had a net increase in fund balance of \$186,501.

The Ground Storage Capital Fund, being a cost reimbursement fund, had no change in its fund balance in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures on a budgetary basis were \$401,817 compared to the amended budget of \$73,267. The negative expense budget variance of \$328,550 was primarily due to administrative expenses being higher than expected. Actual revenue on a budgetary basis was \$446,973 compared to the amended budget of \$256,639. The positive revenue variance of \$190,334 is primarily due to higher than expected project management fee revenue and unbudgeted charges for services related to lease payments. See the budget to actual comparison on page 56 for additional information.

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2012, amounts to \$4,045,797 (net of accumulated depreciation). This investment in capital assets includes construction in progress, the lift station, leasehold improvements, vehicles and equipment.

Capital Assets at Year-End, Net of Accumulated Depreciation

	2012	2011	Increase (Decrease)
Construction in progress	\$ -	\$ 3,133,000	\$ (3,133,000)
Ground storage tank	3,064,305	-	3,064,305
Lift station	913,492	937,531	(24,039)
Equipment	3,440	8,862	(5,422)
Office equipment	3,750	7,498	(3,748)
Vehicles	60,810	141,780	(80,970)
Total net capital assets	<u>\$ 4,045,797</u>	<u>\$ 4,228,671</u>	<u>\$ (182,874)</u>

Additional information on the District's capital assets can be found in Note 5 on pages 24 and 25 of this report.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

LONG-TERM DEBT ACTIVITIES

The District has entered into capital leases on behalf of other Districts that are part of the Castle Hill's Development. The District issued Denton County Fresh Water Supply District No. 1-A Contract Revenue Bonds in 2009. Under the agreement with the Texas Water Development Board the District may receive up to \$3,335,000 of debt funding to cover expenditures related to the Pump Station Improvement Project. In 2012 \$40,187 in additional funding was received and \$165,000 of debt was paid back. The debt is recorded in the financial statements of the District and is funded by the other Districts that are a part of the Castle Hills's Development. The following schedule shows the change in the District's long-term liabilities for the year ended September 30, 2012.

Debt balance - October 1, 2011	\$ 3,261,685
Add: ARRA Bonds issued	40,187
Less: ARRA Bond principal paid	(165,000)
Less: Capital lease principal paid	<u>(18,927)</u>
Debt balance - September 30, 2012	<u>\$ 3,117,945</u>

Additional information on the District's long term debt activity can be found in Note 6 on pages 25 to 27 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the 2012-2013 Budget, revenues are anticipated to increase by approximately \$202,500 from the prior budget year, primarily due an increase in development permitting fees. Expenses for the FY 2012-2013 are anticipated to decrease by approximately \$55,315.

The District's expenses, as outlined in the Operating Agreement with District 1-B, District 1-C, District 1-D, District 1-E, District 1-F, District 1-G, and District 1-H (in this Note referred to as "Sub-Districts"), are allocated to the Sub-Districts. The District has made a concerted effort to limit expenditures to only items that are necessary.

In fiscal year 2011-2012 the General Fund budget continued to be divided into three funds for accounting purposes; the General Fund, Operations Fund, and a Utility Fund, primarily to measure various expenditures against supporting revenue items. All expenditures, with the exception of District direct expenses and usage expenses, are billed to the District. Subsequently, each of the Sub-District's are charged with a portion of District 1-A's monthly bills which are billed to the Sub-District's as a 1-A reimbursement.

The General Fund, which is comprised of the District's General Fund, Operating Fund, and Utility Fund, is budgeted to operate next year with expenditures less than revenues.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Fresh Water Supply District No. 1-A, c/o Kelly Hart & Hallman, LLP, 201 Main Street, Suite 2500, Fort Worth, TX 76102.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

ASSETS	
Cash	\$ 1,525,370
Receivables:	
Service accounts (net of allowance for doubtful accounts of \$0)	2,720
Prepaid costs	42,311
Due from other governmental units	281,731
Due from other districts for developer reimbursement	4,171,194
Deferred charges	92,299
Capital assets (net of accumulated depreciation)	<u>4,045,797</u>
TOTAL ASSETS	<u>\$ 10,161,422</u>
LIABILITIES	
Accounts payable	\$ 231,567
Accrued liabilities	29,463
Due to other governmental units	281,196
Security deposits	6,900
Retainage payable	27,976
Current portion-capital lease and bonds payable	184,557
Noncurrent liabilities	
Due after one year-capital lease and bonds payable	2,933,388
Due after one year-due to developer	<u>4,171,194</u>
TOTAL LIABILITIES	<u>7,866,241</u>
NET ASSETS	
Invested in capital assets, net of related debt	927,852
Restricted for:	
Capital projects	232,532
Unrestricted	<u>1,134,797</u>
TOTAL NET ASSETS	<u>\$ 2,295,181</u>

The Notes to Financial Statements are
an integral part of this statement.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Activities
EXPENSES:	
Service operations:	
Personnel	\$ 1,405,426
Contracted services	477,602
Director expenses	12,017
Administrative expenses	347,236
Purchased water service	1,398,623
Purchased wastewater service	6,709
Purchased non-potable water service	307,000
Utilities	586,894
Repairs and maintenance	454,979
Supplies and other charges	560,416
Contributions to other entity	279,764
Reimbursements from other governmental units	<u>(5,239,473)</u>
Debt service:	
Interest expense	11,477
Depreciation	<u>185,529</u>
Total expenses	<u>794,199</u>
REVENUES:	
Program revenues:	
Project management fee	386,802
Charges for service	20,015
Permits and inspections	100
Operating contributions	280,000
Capital contributions	<u>341,858</u>
Total program revenues	<u>1,028,775</u>
Net (expense) /revenues	<u>234,576</u>
General revenues	
Penalty and interest	7
Investment revenues	21,297
Loss on disposal of fixed assets	(4,345)
Miscellaneous revenues	<u>19,299</u>
Total general revenues and transfers	<u>36,258</u>
CHANGE IN NET ASSETS	<u>270,834</u>
NET ASSETS, AT OCTOBER 1, 2011	<u>2,024,347</u>
NET ASSETS, AT SEPTEMBER 30, 2012	<u><u>\$ 2,295,181</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>
ASSETS		
Cash	\$ 1,257,853	\$ 267,517
Receivables:		
Service accounts (net of allowance for doubtful accounts of \$0)	2,720	-
Prepaid costs	42,311	-
Due from other governmental unit	281,731	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,584,615	\$ 267,517
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ 231,567	\$ -
Accrued liabilities	29,463	-
Due to other governmental units	274,187	7,009
Security deposits	6,900	-
Retainage payable	-	27,976
	<hr/>	<hr/>
TOTAL LIABILITIES	542,117	34,985
	<hr/>	<hr/>
FUND BALANCES		
Non-spendable		
Prepaid costs	42,311	-
Restricted		
Capital projects	-	232,532
Committed:		
Maintenance reserves	198,000	-
Assigned:		
Debt service requirements	178,365	-
Maintenance reserves	706,285	-
Unassigned	(82,463)	-
	<hr/>	<hr/>
TOTAL FUND BALANCES	1,042,498	232,532
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,584,615	\$ 267,517
	<hr/>	<hr/>

The Notes to Financial Statements are
an integral part of this statement.

<u>Ground Storage Capital Fund</u>	<u>Total</u>
\$ -	\$ 1,525,370
-	2,720
-	42,311
-	281,731
<u>\$ -</u>	<u>\$ 1,852,132</u>
\$ -	\$ 231,567
-	29,463
-	281,196
-	6,900
-	27,976
<u>-</u>	<u>577,102</u>
-	42,311
-	232,532
-	198,000
-	178,365
-	706,285
-	(82,463)
<u>-</u>	<u>1,275,030</u>
<u>\$ -</u>	<u>\$ 1,852,132</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total Fund Balances - Governmental Funds \$ 1,275,030

Amounts reported for governmental activities in the statement of net assets are different because:

Certain bond issuance costs are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset. 92,299

Governmental funds do not record long-term receivables due from other governmental units for amount contributed for construction projects. However, in the statement of net assets, the receivable is recorded. 4,171,194

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. 4,045,797

Governmental funds do not record a long-term liability to the developer for advances. However, in the statement of net assets, the liability for these advances are recorded. (4,171,194)

Certain liabilities, including leases payable and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Leases payable	(22,945)	
Contractual obligations	(3,095,000)	(3,117,945)

Total Net Assets of Governmental Activities **\$ 2,295,181**

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Ground Storage Capital Fund</u>	<u>Total</u>
REVENUES:				
Project management fee	\$ 386,802	\$ -	\$ -	\$ 386,802
Charges for service	20,015	-	-	20,015
Penalty and interest	7	-	-	7
Permits and inspections	100	-	-	100
Investment revenues	20,750	547	-	21,297
Miscellaneous revenues	19,299	-	-	19,299
TOTAL REVENUES	<u>446,973</u>	<u>547</u>	<u>-</u>	<u>447,520</u>
EXPENDITURES				
Service operations:				
Personnel	1,405,426	-	-	1,405,426
Contracted services	477,602	-	-	477,602
Director expenditures	12,017	-	-	12,017
Administrative expenditures	346,250	986	-	347,236
Purchased water service	1,398,623	-	-	1,398,623
Purchased wastewater service	6,709	-	-	6,709
Purchased non-potable water service	307,000	-	-	307,000
Utilities	586,894	-	-	586,894
Repairs and maintenance	395,540	59,439	-	454,979
Supplies and other charges	520,214	40,015	187	560,416
Allocated costs	(5,239,473)	-	-	(5,239,473)
Capital outlay	-	279,764	40,000	319,764
Debt service:				
Principal payments	183,927	-	-	183,927
Capital lease interest	1,088	-	-	1,088
TOTAL EXPENDITURES	<u>401,817</u>	<u>380,204</u>	<u>40,187</u>	<u>822,208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>45,156</u>	<u>(379,657)</u>	<u>(40,187)</u>	<u>(374,688)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	(224,300)	224,300	-	-
Contributions to other governmental units	-	(214,407)	-	(214,407)
Federal loan proceeds	-	-	40,187	40,187
Proceeds from disposal of fixed assets	33,000	-	-	33,000
Contributions from other governmental units	280,000	222,435	-	502,435
Developer advances	-	333,830	-	333,830
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,700</u>	<u>566,158</u>	<u>40,187</u>	<u>695,045</u>
NET CHANGE IN FUND BALANCES	133,856	186,501	-	320,357
FUND BALANCES AT OCTOBER 1, 2011	<u>908,642</u>	<u>46,031</u>	<u>-</u>	<u>954,673</u>
FUND BALANCES - SEPTEMBER 30, 2012	<u>\$ 1,042,498</u>	<u>\$ 232,532</u>	<u>\$ -</u>	<u>\$ 1,275,030</u>

The Notes to Financial Statements are an integral part of this statement.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ 320,357

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases or contributed assets. 319,764

Governmental funds report capital lease and debt principal payments as expenditures. However, in the government-wide financial statements, principal payments are reported as decreases in long-term liabilities. 183,927

Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements. This amount represents current year amortization of bond issue costs. (10,389)

Governmental funds do not account for depreciation. However, in the statement of net assets, capital assets are depreciated and depreciation is recorded in the statement of activities. (185,529)

Current year bond proceeds and capital leases are other finance sources in the fund financial statements, but are shown as an increase in the liabilities on the government-wide financial statements. (40,187)

Losses on disposal of fixed assets is a decrease in net assets, but are not recorded in the governmental funds. (4,345)

Contributions of capital assets to another entity are not recorded on the fund level statements. However such contributions are reported as an expense on the government wide statement of activities. (279,764)

Proceeds from disposal of fixed assets are recorded as other financing sources in the governmental funds but are not recorded on the government wide statement of activities. (33,000)

Change in Net Assets of Governmental Activities \$ 270,834

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. CREATION OF DISTRICT

By the terms of an election held on January 17, 1983, voters approved the creation of the Denton County Fresh Water Supply District No. 1, now known as the Denton County Fresh Water Supply District No. 1-A (the District). As a result of another election held on August 8, 1987, the voters approved the District's assumption of certain rights, authority, privileges and functions of a road district and approved for the District to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems. On December 21, 1993, following a hearing, the governing board of the District approved the conversion of the District to a Water Control and Improvement District and conversion to operating under Chapter 51 of the Texas Water Code and specifically reserved certain rights under Sections 53.029, 53.030 through 53.035, 53.037 through 53.041, 53.111, 53.112, 53.121, and 53.125 of the Texas Water Code.

At an election held within the boundaries of the District on May 6, 1995, voters approved the division of the District into two new districts of which Denton County Fresh Water Supply District No. 1-A was one. The District held its first meeting on July 13, 1995. Pursuant to the provisions of Chapters 49, 51, and 53 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all firefighting activities within the District. The District and its operations are part of the eight Districts which make up the community referred to as Castle Hills. The District has contracted to operate the Districts included in the Castle Hills Development, including Denton County Fresh Water Supply District No. 1-B, 1-C, 1-D 1-E, 1-F, 1-G and 1-H.

The District receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*. The District implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, and it was determined that the District has no component units and the pronouncement has no effect on the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. In addition, the accounting records of the District are maintained in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*.

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt — This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Assets — This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets — This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide statement of net assets and statement of activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

Governmental fund types are accounted for on a spending or financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. The statement of net assets is reported by adjusting the governmental fund types to report on the full accrual basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the statement of net assets. The statement of activities is reported by adjusting the governmental fund types to the accrual basis of accounting. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense on the government-wide statement of activities.

Fund Financial Statements

The District uses the modified accrual basis of accounting for government fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within sixty (60) days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which are considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the governmental funds balance sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

The fund statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance. The District has three major governmental funds.

General Fund – To account for resources not required to be accounted for in another fund, and include customer service revenues, costs, and general expenditures.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Capital Projects Fund – To account for financial resources segregated for acquisition or construction of facilities and related costs.

Ground Storage Capital Fund – To account for the bond proceeds and uses related to the District Pump Station Improvements Project.

Budgeting

In compliance with governmental accounting principles and the Operating Agreement (Note 11), the Board of Directors annually adopts an unappropriated budget for the General Fund.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Prepaid Items and Deferred Charges

Prepaid balances are for payments made by the District for which benefits extend beyond September 30, 2012, and a non-spendable fund balance has been established to signify that a portion of fund balance is not available for other subsequent expenditures.

Deferred charges reported at the government-wide level are comprised of the balance of unamortized debt issuance costs. The District's policy is to amortize issuance costs over the life of the related debt using the effective interest method.

Capital Assets

Capital assets which include vehicles, equipment and leasehold improvements, are reported in the government-wide statement of net assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide statement of activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

Pump station equipment	7-20 years
Office equipment	3-5 years
Vehicles	5 years
Ground storage tank	45 years
Lift station	45 years

Pensions

The Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. A pension plan has not been established for the directors. A plan has been established for the District’s employees other than directors. (see Note 17).

Net Assets/ Fund Balance

The District has implemented GASB No. 54, *Fund Balance, Reporting and Governmental Fund Type Definitions*, for its governmental funds. Under GASB No. 54, fund balances are required to be reported according to the following classifications.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid costs.

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) or by law (through constitutional provisions or enabling legislation). The District has committed fund balance at September 30, 2012 for maintenance of the facilities.

Assigned Fund Balance – Amounts that are constrained by the District’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. This classification includes balances assigned for Texas Water Development Board bond payments.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets/ Fund Balance – Continued

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

Allocated Costs

Pursuant to the Operating Agreement (Note 11), the District pays all expenses required to maintain and operate the facilities of Districts 1-B through 1-H and all expenses related to management of the District. On a monthly basis, the District allocates to Districts 1-B through 1-H, their allocable shares of expenses, which is reflected as reimbursements from other governmental units on the statement of activities and the statement of governmental fund revenues, expenditures, and changes in fund balances.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of September 30, 2012, the District's deposits that were in excess of FDIC limits were fully covered by collateral.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

The District is the custodian of a pooled cash account. The consolidated cash account is allocated between districts with operations within the Castle Hills development. At September 30, 2012, pooled cash bank balance consisted of \$2,202,540 in cash and cash equivalents and \$461,863 in certificates of deposit. The book balance of the entire pooled cash account was \$1,580,525. The book balance of the District's share of pooled cash was \$101,355.

The District also had deposits in non-pooled cash accounts. As of September 30, 2012, the bank balance of these deposits were \$1,021,315 and the book balance was \$1,424,015.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth.

No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

As of September 30, 2012, the District had no investments; however, when possible the District's bank deposits are placed in interest bearing accounts.

Restrictions

All cash and investments of the Capital Projects Fund are restricted for the purchase, repair, or replacement of capital assets.

NOTE 4. DUE TO OR FROM OTHER GOVERNMENTAL UNITS

As a part of the normal course of operations which include transactions with other Districts within Castle Hills and other governments, the District may owe or be owed funds from other governmental entities. At September 30, 2012, the amounts reflected on the statement of net assets and the balance sheet as due from and to other governments included amounts due to and due from Districts 1-B through 1-H.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012:

	September 30, 2011	Additions	Disposals	Transfers	September 30, 2012
Capital assets not being depreciated					
Construction in progress	\$ 3,133,000	\$ 319,764	\$ -	\$ (3,452,764)	\$ -
Capital assets at historical costs subject to depreciation					
Lift station	1,081,766	-	-	-	1,081,766
Ground storage tank	-	-	-	3,173,000	3,173,000
Equipment	424,930	-	-	-	424,930
Office equipment	118,853	-	-	-	118,853
Vehicles	422,776	-	(41,826)	-	380,950
Total capital assets at historical costs subject to depreciation	<u>2,048,325</u>	<u>-</u>	<u>(41,826)</u>	<u>3,173,000</u>	<u>5,179,499</u>
Less accumulated depreciation					
Lift station	144,235	24,039	-	-	168,274
Ground storage tank	-	97,790	-	-	97,790
Equipment	416,068	5,422	-	-	421,490
Office equipment	111,355	3,748	-	-	115,103
Vehicles	280,996	43,625	(4,481)	-	320,140
Total accumulated depreciation	<u>952,654</u>	<u>174,624</u>	<u>(4,481)</u>	<u>-</u>	<u>1,122,797</u>
Total depreciable capital assets, net of accumulated depreciation	<u>1,095,671</u>	<u>(174,624)</u>	<u>(37,345)</u>	<u>3,173,000</u>	<u>4,056,702</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,228,671</u>	<u>\$ 145,140</u>	<u>\$ (37,345)</u>	<u>\$ (279,764)</u>	<u>\$ 4,056,702</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSETS – CONTINUED

On April 19, 2006, a Cost Sharing Agreement was executed between Denton County Fresh Water Supply District Nos. 1-B, 1-C, 1-D, 1-E and the District. The agreement provided for a cost sharing of the cost of construction of certain Lift Station Facilities. The District will own the facilities for the benefit of the residents and the property located within the original boundaries of Denton County Fresh Water Supply District No. 1, which includes District No. 1-B, District No. 1-C, District No. 1-D and District No. 1-E. On September 23, 2009, the District executed an Excess Capacity Purchase Agreement (ECPA) with District No. 1-B, District No. 1-C, District No. 1-D, District No. 1-E, District No. 1-F, District No. 1-G, and District No. 1-H.

This agreement reallocates the shared cost for the construction of the lift station facilities based on capacity. The capacity allocated to each participant was based upon the estimated total sewer connection as of September 2012. Capacity in the facilities is allocated as follows:

District No. 1-B	29.18 %
District No. 1-C	0.16
District No. 1-D	34.19
District No. 1-E	16.02
District No. 1-F	20.45
Total	100.00 %

District Nos. 1-B, 1-C, 1-D and 1-E are defined in the ECPA as “Selling Districts”. It is the intent of the Selling Districts to sell excess capacity to District Nos. 1-F, 1-G and 1-H based on the actual capacity needed as development occurs within their respective district. The cost of capacity to District Nos. 1-F, 1-G and 1-H will be calculated based upon the provisions outlined in the ECPA.

NOTE 6. LONG-TERM DEBT

Bonds Payable and Capital Leases

A summary of activity in bonds payable and capital leases for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Contract revenue bonds payable	\$ 3,219,813	\$ 40,187	\$ (165,000)	\$ 3,095,000	\$ 165,000
Leases payable	41,872	-	(18,927)	22,945	19,557
Govenemnetal activty long-term debt	\$ 3,261,685	\$ 40,187	\$ (183,927)	\$ 3,117,945	\$ 184,557

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Texas Water Development Bonds

The contract revenue bonds are serial obligations with zero interest rate and scheduled to mature annually through 2030 when the full \$3,335,000 has been issued. Based on the construction draws to date as well as accrued retainage and liabilities for services performed but not yet paid, the District is obligated for \$3,095,000 at year end.

The revenue bonds are payable from the net revenues of the District. Gross revenues are to be used for operating and maintenance expense of the system, and second to maintain revenue bond funds in accordance with the bond covenants. The District is in compliance with the revenue bond debt covenants as of September 30, 2012. Remaining revenues may then be used for any lawful purpose.

Debt service requirements of the revenue bonds for the years subsequent to September 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2013	165,000	-	165,000
2014	165,000	-	165,000
2015	165,000	-	165,000
2016	165,000	-	165,000
2017-2021	825,000	-	825,000
2022-2027	835,000	-	835,000
2027-2030	775,000	-	775,000
	\$ 3,095,000	\$ -	\$ 3,095,000

Capital Lease Agreement

On November 11, 2008, the District entered into a Capital Lease Agreement with Caterpillar Financial for the purchase of a 420E Caterpillar Backhoe Loader. The purchase price of the equipment was \$92,185. The leased assets and related obligations are accounted for in the Statement of Net Assets. During the current fiscal year, the District made total payments of \$20,015 with respect to the lease. The lease payments are split between all Participating Districts in accordance with each individual operating contract.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Capital Lease Agreement – Continued

The following is a schedule of future minimum lease payments under the capital lease as of September 30, 2012.

2013	20,015
2014	<u>3,401</u>
Minimum lease payments	<u>23,416</u>
Less	
Amount representing interest at the District's incremental borrowing rate of interest	<u>471</u>
Present value of minimum lease payments	<u><u>\$ 22,945</u></u>

As of September 30, 2012, the total present value of the capital lease obligation was \$22,945 of this total, \$19,557 was due within one year and the balance of \$3,388 is due after one year. In the current year, capital lease payments of \$18,927 for principal and \$1,088 for interest were made.

NOTE 7. RESERVE PAYMENTS TO OTHER GOVERNMENTAL UNITS

Beginning in fiscal year 2011, the District recognized the need to develop a reserve to be used for one-time expenditures which are necessary to operate and maintain the facilities of the Castle Hills Development. The District accounts for the other districts' deposits in a separate reserve account and will only utilize the funds in accordance with the District's Reserve Expense Policy, and in accordance with the allocation percentages authorized in the operating agreement with the District and adopted in the budgeting process on an annual basis. The schedule below recaps the reserve activity for the current period.

Committed Fund balances committed by District No. 1-A	<u>No. 1-A</u>	<u>No. 1-B</u>	<u>No. 1-C</u>	<u>No. 1-D</u>	<u>No. 1-E</u>	<u>No. 1-F</u>	<u>No. 1-G</u>	<u>Total</u>
Balance at 9/30/2011	\$ 170,021	\$ 150,000	\$ -	\$ 150,000	\$ 60,000	\$ 150,000	\$ 30,000	\$ 710,021
Contributions 2012	173,344	64,285	-	150,000	60,000	60,000	30,000	\$ 537,629
Distributions 2012	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (165,000)</u>
Balance at 9/30/2012	<u>\$ 178,365</u>	<u>\$ 214,285</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 120,000</u>	<u>\$ 210,000</u>	<u>\$ 60,000</u>	<u>\$ 1,082,650</u>

The contributions from other governmental units include a \$170,000 payment from various districts within the Castle Hills subdivision to fund the bond payments for the revenue bonds.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS

On July 15, 1996, the District, Denton County Fresh Water Supply District No. 1-B (District No.1-B), and the City of Lewisville (Lewisville) executed an Amended and Restated Joint Utility Contract. On November 13, 1997, Amendment No.1 to the amended and Restated Joint Utility Contract was approved. The contract states that Lewisville will proceed with financing utility and road facilities within District No.1-B through the sale of \$20,992,740 in Public Improvement District (PID) bonds, now referred to as PID 1. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated March 14, 1997, (see Note 8). The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

The District serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of facilities. The District further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, the District and District 1-B shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund, or defease the PID 1 bonds allocable to the facilities being acquired.

The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the Districts and not Lewisville.

In order to finance the facilities being constructed with bond proceeds being issued by the PID 1 and Lewisville, District No.1-B agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 1 Bonds as they mature. District No.1-B will commit each year to levy, assess and collect a tax on all taxable property within District No.1-B, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 1 Bonds. Lewisville will calculate the total amount of payments to be made on the PID 1 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 1 Bonds and, if needed, will calculate an assessment on all assessable property within the PID 1, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No.1-B of the calculation of the Annual Assessment by September 1 of each year following the above referenced March 1.

During the current fiscal year, District No. 1-B made contract tax payments of \$1,571,194 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2012 is \$1,574,760 and the District has fully satisfied that requirement at year end. The City of Lewisville at September 30, 2012 is holding \$2,453,165 in trust for District No. 1-B, including reserve funds. The amount held in trust in excess of the reserve is available to cover debt service requirements of PID 1. The Reserve Fund is maintained by the City of Lewisville for PID 1.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

PID 1 SERIES - 1998			
Fiscal Year Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2013	\$ 765,000	\$ 807,225	\$ 1,572,225
2014	805,000	766,106	1,571,106
2015	850,000	722,838	1,572,838
2016	895,000	677,150	1,572,150
2017	945,000	625,240	1,570,240
2018	1,000,000	570,430	1,570,430
2019	1,060,000	512,430	1,572,430
2020	1,120,000	450,950	1,570,950
2021	1,185,000	385,990	1,570,990
2022	1,250,000	317,260	1,567,260
2023	1,330,000	244,760	1,574,760
2024	1,405,000	167,620	1,572,620
2025	1,485,000	86,130	1,571,130
Total	\$ 14,095,000	\$ 6,334,129	\$ 20,429,129

On February 1 following the date of receipt of written notification of the Annual Assessment, District No.1-B will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, with the PID 1 sufficient to pay the debt service requirement on the PID 1 Bonds as they come due. The parties to the agreement acknowledge that the tax levy is contingent upon a one-time approval by the voters within District No.1-B. Such election occurred on August 10, 1996, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2012, District No. 1-B levied a contract tax at the rate of \$0.6659 per \$100 of assessed valuation on taxable property within District No. 1-B, which resulted in a tax levy of \$1,654,994. The term of the agreement is forty (40) years.

On October 14, 1999, the District, Denton County Fresh Water Supply District No. 1-D (District No. 1-D), and the City of Lewisville (Lewisville) executed a Joint Utility Contract. The contract states that Lewisville will proceed with financing utility and road facilities within District No. 1-D through the sale of \$28,500,000 of Public Improvement District No. 2 (PID 2) bonds; the first installment of these bonds were sold in the amount of \$14,000,000. The first installment of bonds was followed by a refunding and capital improvement bond series in the amount of \$18,150,000. During the 2006 fiscal year, the final installment of bonds was sold in the amount of \$10,350,000. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated June 14, 2000. This agreement was amended on June 11, 2002. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

The District serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of facilities. The District further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, District Nos. 1-A and 1-D shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund or defease the PID 2 bonds allocable to the facilities being acquired. The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the districts and not Lewisville.

In order to finance the facilities being constructed with bond proceeds being issued by the PID and Lewisville, District No. 1 -D agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 2 Bonds as they mature. District No. 1-D committed each year to levy, assess and collect a tax on all taxable property within the District, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 2 Bonds.

Lewisville will calculate the total amount of payments to be made on the PID 2 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 2 Bonds and will, if needed, calculate an assessment on all assessable property within the PID 2, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No. 1-D of the calculation of the Annual Assessment by September 1 of each year preceding the above-referenced March 1.

During the current fiscal year, District No. 1-D made contract tax payments to the City of Lewisville in the amount of \$2,348,893 in accordance with the bond covenants. The reserve fund requirement as of September 30, 2012, is \$2,359,065 and the District has fully satisfied that requirement at year end. The City of Lewisville is holding \$3,051,498 in trust for District No. 1-D at September 30, 2012, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 2.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

The following is an amortization schedule of the existing outstanding debt District No. 1-D's contract tax is expected to amortize.

PID 2 REFUNDING SERIES - 2002			
Fiscal Year Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2013	\$ 635,000	\$ 911,555	\$ 1,546,555
2014	670,000	875,836	1,545,836
2015	705,000	838,149	1,543,149
2016	745,000	798,492	1,543,492
2017	790,000	756,586	1,546,586
2018	835,000	712,149	1,547,149
2019	880,000	663,093	1,543,093
2020	935,000	611,392	1,546,392
2021	990,000	556,462	1,546,462
2022	1,045,000	498,299	1,543,299
2023	1,105,000	436,904	1,541,904
2024	1,170,000	373,920	1,543,920
2025	1,235,000	307,230	1,542,230
2026	1,310,000	236,835	1,546,835
2027	1,385,000	162,165	1,547,165
2028	1,460,000	83,220	1,543,220
Total	<u>\$ 15,895,000</u>	<u>\$ 8,822,287</u>	<u>\$ 24,717,287</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

PID 2 SERIES - 2005			
Fiscal Year Ending September 30	Principal Due October 1	Interest Due April 1/ October 1	Total
2013	\$ 225,000	\$ 585,000	\$ 810,000
2014	240,000	571,500	811,500
2015	250,000	557,100	807,100
2016	265,000	542,100	807,100
2017	285,000	526,200	811,200
2018	300,000	509,100	809,100
2019	320,000	491,100	811,100
2020	340,000	471,900	811,900
2021	360,000	451,500	811,500
2022	380,000	429,900	809,900
2023	400,000	407,100	807,100
2024	425,000	383,100	808,100
2025	450,000	357,600	807,600
2026	480,000	330,600	810,600
2027	510,000	301,800	811,800
2028	540,000	271,200	811,200
2029	570,000	238,800	808,800
2030	605,000	204,600	809,600
2031	640,000	168,300	808,300
2032	680,000	129,900	809,900
2033	720,000	89,100	809,100
2034	765,000	45,900	810,900
Total	\$ 9,750,000	\$ 8,063,400	\$ 17,813,400

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-D will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, with the PID 2 sufficient to pay the debt service requirement on the PID 2 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-D. Such election occurred on May 6, 2000, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2012, District No. 1-D levied a contract tax at the rate of \$0.6683 per \$100 of assessed valuation upon property with District No. 1-D. The term of the agreement is forty (40) years.

On April 26, 2001 the District, Denton County Fresh Water Supply District No. 1-E (District No. 1-E), and the City of Lewisville (Lewisville) executed a 2001 Joint Utility Contract. The contract states that Lewisville will proceed with financing utility and road facilities within District No. 1-E through the sale of \$28,500,000 of Public Improvement District No. 3 (PID 3) bonds; the first installment of these bonds were sold in the amount of \$14,000,000. In 2004, PID 3 sold \$25,000,000 in Combination Contract Revenue and Special Assessment Refunding and Capital Improvement Bonds to refund the previously sold \$14,000,000 in bonds. In 2012, PID 3 sold an additional \$2,840,000 in Combination Contract Revenue and Special Assessment Refunding and Utility System Bonds Series 2011. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated July 1, 2001. The District is responsible for designating the consulting engineer on the project and will approve the projects along with Lewisville.

The District serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of facilities. The District further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, the District and District No. 1 -E shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund or defease the PID 3 bonds allocable to the facilities being acquired. The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the districts and not Lewisville.

In order to finance the facilities being constructed with bond proceeds being issued by the PID 3 and Lewisville, District No. 1-E agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 3 Bonds as they mature. District No. 1-E committed each year to levy, assess and collect a tax on all taxable property within District No. 1-E, unlimited by rate or amount, sufficient to service the debt and other costs incidental to the PID 3 Bonds. Lewisville will calculate the total amount of payments to be made on the PID 3 Bonds on the following March 1, after application of the available reserves from proceeds of the PID 3 Bonds and, if needed, will calculate an assessment on all assessable property within the PID 3, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

Lewisville will notify District No. 1-E of the calculation of the Annual Assessment by September 1 of each year following the above-referenced March 1.

During the fiscal year, District 1-E made contract tax payments of \$2,310,058 to the City of Lewisville in accordance with the bond covenants. The reserve fund requirement at September 30, 2012 is \$2,203,263 and the District has fully satisfied that requirement at year end. The City of Lewisville is holding \$3,052,526 in trust for District 1-E at September 30, 2012, including reserve funds. The amounts held in trust in excess of the reserve requirement are available to cover debt service required of PID 3.

The following is an amortization schedule of the existing outstanding debt District No. 1 -E's contract tax is expected to amortize.

PID 3 SERIES - 2004			
Fiscal Year Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2013	\$ 800,000	\$ 1,399,563	\$ 2,199,563
2014	850,000	1,350,563	2,200,563
2015	900,000	1,298,500	2,198,500
2016	955,000	1,243,375	2,198,375
2017	1,015,000	1,184,881	2,199,881
2018	1,080,000	1,122,713	2,202,713
2019	1,145,000	1,056,563	2,201,563
2020	1,215,000	986,431	2,201,431
2021	1,290,000	912,013	2,202,013
2022	1,370,000	833,000	2,203,000
2023	1,450,000	749,088	2,199,088
2024	1,540,000	660,275	2,200,275
2025	1,635,000	565,950	2,200,950
2026	1,735,000	465,806	2,200,806
2027	1,840,000	359,538	2,199,538
2028	1,955,000	246,838	2,201,838
2029	2,075,000	127,094	2,202,094
Total	\$ 22,850,000	\$ 14,562,191	\$ 37,412,191

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

PID 3 SERIES - 2011			
Fiscal Year Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2013	\$ -	\$ 134,900	\$ 134,900
2014	-	134,900	134,900
2015	-	134,900	134,900
2016	-	134,900	134,900
2017	-	134,900	134,900
2018	-	134,900	134,900
2019	-	134,900	134,900
2020	-	134,900	134,900
2021	-	134,900	134,900
2022	-	134,900	134,900
2023	-	134,900	134,900
2024	-	134,900	134,900
2025	-	134,900	134,900
2026	-	134,900	134,900
2027	-	134,900	134,900
2028	-	134,900	134,900
2029	-	134,900	134,900
2030	1,250,000	134,900	1,384,900
2031	1,590,000	37,763	1,627,763
Total	<u>\$ 2,840,000</u>	<u>\$ 2,465,963</u>	<u>\$ 5,305,963</u>

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-E will certify to Lewisville the amount of all taxes collected. Lewisville will then impose an assessment, if needed, with the PID 3 sufficient to pay the debt service requirement on the PID 3 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-E. Such election occurred on November 7, 2000, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2012, District No. 1-E levied a contract tax of \$0.8463 per \$100 of assessed valuation on property within District No. 1-E. The term of this contract is forty (40) years.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

On May 21, 2007, the District, Denton County Fresh Water Supply District No. 1-F (District No. 1-F), and the City of Lewisville (Lewisville) executed a 2007 Joint Utility Contract. On January 7, 2008, the Amended and Restated 2007 Joint Utility Contract was approved. The agreement became effective on the date executed by Lewisville and District No. 1-F in accordance with the Amended and Restated 2007 Joint Utility Contract. The contract states that Lewisville will proceed with financing utility and road facilities within the District through the sale of \$32,000,000 of Public Improvement District No. 4 (PID 4) bonds; the first installment of these bonds were sold in the amount of \$20,000,000 in 2008. In fiscal year ending 2012, a second and third installment were sold for a combined \$8,320,000. The District will have primary responsibility as Project Manager and shall perform its duties in accordance with an agreement dated October 1, 2006. The District is responsible for designating the consulting engineer on the project and approves the projects along with Lewisville.

The District serves as Project Manager for the purpose of easement and facilities site negotiation and acquisition as well as the inspection and supervision of the construction of facilities. The District further agrees that adequate water distribution, wastewater collection and treatment capacity, storm sewer and drainage capacity, and road system capacity shall be reserved in the Project-Wide Facilities to accommodate the Castle Hills Facilities.

The parties to the agreement agree that in accordance with Section 49.068 of the Texas Water Code, as amended, the District and District No. 1-F shall have the right to acquire the facilities at any time by paying to Lewisville the amount necessary to repay, redeem, refund or defease the PID 4 bonds allocable to the facilities being acquired. The parties to the agreement agree that the cost of operations and maintenance of the facilities being constructed will be borne by the districts and not Lewisville.

In order to finance the facilities being constructed with bond proceeds being issued by the PID 4 and Lewisville, District No. 1-F agreed to pay Lewisville the amount necessary to repay the debt service requirements and costs of the PID 4 Bonds as they mature. District No. 1-F committed each year to levy, assess and collect a tax on all taxable property within District No. 1-F, unlimited by rate or amount, sufficient to service up to ninety percent (90%) of the debt and other costs incidental to the PID 4 Bonds.

The additional ten percent (10%) of the debt and other costs included to the PID 4 Bonds will be paid from the special assessment as outlined in the agreement. Lewisville will calculate the total amount of payments to be made on the PID 4 Bonds on the following February 1, after application of the available reserves from proceeds of the PID 4 Bonds and will calculate an assessment on all assessable property within the PID 4, which if 95% of such assessments are collected, would be sufficient to make the entire annual payment to Lewisville. Lewisville will notify District No. 1-F of the calculation of the Annual Assessment by September 1 of each year proceeding the above-referenced February 1.

As of the fiscal year end, the reserve fund requirement is \$1,854,750. To date, District No. 1-F has funded \$1,678,231 of the reserve and a letter of credit covers the remaining reserve requirement. The Reserve Fund is maintained by PID 4. As of September 30, 2012 District 1-F had \$4,760,016 in trust with the City of Lewisville. During the current fiscal year, PID 4 assessment revenue in the amount of \$665,094 was collected and remitted to Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

These monies are maintained in an escrow account under the oversight of Lewisville. During the current fiscal year, available PID 4 assessment revenue was used to pay down outstanding principal on the PID 4 bonds in the amount of \$0. As of September 30, 2012, \$88,182 remained in the escrow account. As funds are accumulated in the escrow account, these monies will be used to retire additional outstanding PID 4 bonds. The following is an updated amortization schedule on the existing outstanding debt the District's contract tax and assessments are expected to amortize as of September 30, 2012:

PID 4 SERIES - 2008			
Fiscal Year Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2013	\$ 500,000	\$ 1,233,225	\$ 1,733,225
2014	535,000	1,199,475	1,734,475
2015	570,000	1,163,363	1,733,363
2016	610,000	1,124,888	1,734,888
2017	650,000	1,083,713	1,733,713
2018	695,000	1,039,838	1,734,838
2019	740,000	992,925	1,732,925
2020	795,000	942,975	1,737,975
2021	845,000	889,313	1,734,313
2022	905,000	832,275	1,737,275
2023	965,000	771,188	1,736,188
2024	1,030,000	706,050	1,736,050
2025	1,100,000	636,525	1,736,525
2026	1,170,000	562,275	1,732,275
2027	1,250,000	483,300	1,733,300
2028	1,335,000	398,925	1,733,925
2029	1,425,000	308,813	1,733,813
2030	1,520,000	212,625	1,732,625
2031	1,625,000	110,025	1,735,025
2032	5,000	338	5,338
Total	\$ 18,270,000	\$ 14,692,050	\$ 32,962,050

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

PID 4
SERIES - 2011 Road

Fiscal Year Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2013	\$ -	281,138	\$ 281,138
2014	-	281,138	281,138
2015	-	281,138	281,138
2016	-	281,138	281,138
2017	-	281,138	281,138
2018	-	281,138	281,138
2019	-	281,138	281,138
2020	-	281,138	281,138
2021	-	281,138	281,138
2022	-	281,138	281,138
2023	-	281,138	281,138
2024	-	281,138	281,138
2025	-	281,138	281,138
2026	-	281,138	281,138
2027	-	281,138	281,138
2028	-	281,138	281,138
2029	-	281,138	281,138
2030	-	281,138	281,138
2031	-	281,138	281,138
2032	-	281,138	281,138
2033	980,000	255,413	1,235,413
2034	1,065,000	201,731	1,266,731
2035	1,125,000	144,244	1,269,244
2036	1,185,000	83,606	1,268,606
	<u>1,000,000</u>	<u>26,250</u>	<u>1,026,250</u>
Total	<u>\$ 5,355,000</u>	<u>\$ 6,333,994</u>	<u>\$ 11,688,994</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

PID 4
SERIES - 2011 Utility

Fiscal Year Ending September 30	Principal Due October 1	Interest Due October 1/ April 1	Total
2013	\$ -	\$ 155,663	\$ 155,663
2014	-	155,663	155,663
2015	-	155,663	155,663
2016	-	155,663	155,663
2017	-	155,663	155,663
2018	-	155,663	155,663
2019	-	155,663	155,663
2020	-	155,663	155,663
2021	-	155,663	155,663
2022	-	155,663	155,663
2023	-	155,663	155,663
2024	-	155,663	155,663
2025	-	155,663	155,663
2026	-	155,663	155,663
2027	-	155,663	155,663
2028	-	155,663	155,663
2029	-	155,663	155,663
2030	-	155,663	155,663
2031	-	155,663	155,663
2032	-	155,663	155,663
2033	200,000	150,413	350,413
2034	715,000	126,393	841,393
2035	750,000	87,937	837,937
2036	790,000	47,512	837,512
2037	510,000	13,378	
Total	\$ 2,965,000	\$ 3,538,893	\$ 5,980,515

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. AMENDED AND RESTATED JOINT UTILITY CONTRACTS – CONTINUED

On February 1 following the date of receipt of written notification of the Annual Assessment, District No. 1-F will certify to Lewisville the amount of all taxes collected. If necessary, Lewisville will then impose an assessment with the PID 4 sufficient to pay the debt service requirement on the PID 4 Bonds as they come due. The parties to the agreement acknowledged that the tax levy would be contingent upon a one-time approval by the voters within District No. 1-F. Such election occurred on May 12, 2007, and approved the levy and collection of said tax. For the fiscal year ending September 30, 2011, District No. 1-F levied a contract tax at the rate of \$.9524 per \$100 of assessed valuation upon property with District No. 1-F. The term of the agreement is forty (40) years.

NOTE 9. PROJECT MANAGEMENT AGREEMENTS

The District and the City of Lewisville (Lewisville) executed a Project Management Agreement dated March 14, 1997, for District No. 1-B. On November 1, 1999, and July 1, 2001, the District executed additional Project Management Agreements with Denton County Fresh Water Supply Districts Nos. 1-D and 1-E, respectively. On October 1, 2006, the District entered into a Project Management Agreement with Denton County Fresh Water Supply Districts Nos. 1-F and 1-G.

The agreements provide for the District to prepare a proposed development plan titled the "Project Management Plan" (Plan). The Plan provides for the recommended time sequence in which construction and acquisition of the Facilities should be completed, including completion of the streets and highways planned for the Project, installation of water, sewer, drainage and other public utilities on the Project, and completion of off-site development. In addition, the agreements provide for the estimated cost of the facilities and recommendations for the issuance of bonds, notes and other obligations.

The District's development duties include and are not limited to contracting for professional services, entering into construction contracts, coordinating with other municipalities, reviewing invoices for payment by Lewisville, verifying the appropriate insurance with each contractor and supervising the performance of each contract. The District further agreed to keep the Project in compliance with the applicable laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the Project and with all the terms of the Trust Agreements.

The cost of the project includes employees and consultants necessary for implementation of the contract, which shall be billed to Lewisville on a monthly basis and funded from proceeds of the PID Bonds. Other costs to be billed to Lewisville and paid from the PID Bonds are premiums for insurance, all taxes, assessments and special assessments and all costs of facilities. The District will take no action in connection with the development of the Projects unless such action either is in accordance with the development plans and the project budgets or is approved in writing by Lewisville.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PROJECT MANAGEMENT AGREEMENTS – CONTINUED

Monthly fees under Project Management Agreements for District No. 1-B, 1-D and 1-E have ceased under the terms of the respective Project Management Agreements. The term of the agreements will terminate thirty (30) days after the issuance of completion certificates by the Engineer for the District on all Facilities unless sooner terminated or unless extended by mutual agreement of Lewisville and the District.

NOTE 10. SEWAGE TREATMENT SERVICE CONTRACT

The District and the City of Lewisville (Lewisville) executed a Sewage Treatment Service Agreement dated August 18, 1997. The District agrees to provide for the conveyance of sewage from its facilities and residents to Lewisville's wastewater collection system and Lewisville agreed to treat the wastewater once received from the District. Lewisville agreed to charge the District the same rate for treatment of its sewage as the rate charged the City of Highland Village. Annually a cost of service study will be performed to determine the rate to be charged the District.

The District's maximum daily volume of sewage delivered to Lewisville shall be 10.5 Million Gallons Per Day (MGD). If wastewater entering Lewisville's system causes Lewisville's system to exceed capacity, the District shall be liable for all penalties assessed to Lewisville regarding the overflow and spillage caused by the District.

On or before June 1 of each year the District will furnish Lewisville with the number of active residential sewer connections, the number of commercial/industrial sewer connections and the number of active educational institutions, hospitals or similar institutions served, all as of May 1. Additionally the District shall notify Lewisville of all non-residential establishments planned to be constructed. The term of the agreement is thirty (30) years from its effective date, which was 30 days after the agreement was executed.

NOTE 11. WATER SUPPLY AGREEMENTS

Upper Trinity Regional Water District Regional Treated Water Supply Service Contract for Additional Participating Member

On May 7, 1992 Denton County Fresh Water Supply District No. 1 executed an agreement with the Upper Trinity Regional Water District (UTRWD) to provide treated water to participants in the UTRWD. Denton County Fresh Water Supply District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement. The UTRWD has agreed to use its best efforts to build the facilities called for in this agreement and to issue debt to fund the cost of the facilities.

The governing body of each contract member, each participating member and Denton County are entitled to appoint a qualified person to serve on the Board. The governing body of each customer can appoint one member of the governing body or an employee as a member of the Customer Advisory Council (Council) of the UTRWD. The Council will consult with and advise the UTRWD and Board on all pertinent matters related to operation of the UTRWD.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 11. WATER SUPPLY AGREEMENTS – CONTINUED

Upper Trinity Regional Water District Regional Treated Water Supply Service Contract for Additional Participating Member – Continued

The supply of water on a minimum demand, on an interim basis, is for .5 million gallons of water per day (MGD) and 3.0 MGD for regular service. Each member can adjust the regular service amount upon mutual agreement of the members. A determination of demand on an annual basis that takes into account actual usage for the most recent five (5) water years and projected needs for the next water year will be made. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its part of the annual requirement in monthly installments.

The agreement provides for water conservation and drought contingency issues. The term of the contract is thirty (30) years or as long as the bonds issued remain outstanding. The Contract has a twenty (20) year extension provision.

Upper Trinity Regional Water District Contract for Non-Potable Water Service with Denton County Fresh Water Supply District No. 1

On March 8, 1995, the UTRWD executed an agreement with the Denton County Fresh Water Supply District No. 1 (District No. 1) to provide for the supply of non-potable water to District No. 1. Denton County Fresh Water Supply District No. 1-A has assumed the obligations of District No. 1 under the terms of this agreement.

District No. 1 desired to develop the ability to have a dual delivery system to provide non-potable water and UTRWD agreed to provide such a water source. The District has agreed to make sufficient payments to assure adequate funds to fulfill its obligations under the contract terms. The minimum capacity reserved for the District is 3.35 million gallons per day (MGD).

The UTRWD agreed to provide the necessary equipment and devices of standard type required for measuring the quantity of non-potable water delivered. Sixty (60) days after the end of a fiscal year, the District will report to the UTRWD the number of gallons of non-potable raw water and non-potable treated wastewater effluent used for irrigation, make-up water for lakes and ponds and other purposes. Also reported would be the estimated annual water requirements for each of the next five (5) years for both types of water and an estimate of demand for the next year.

The UTRWD will choose the consulting engineers and provide for the construction of the system to provide the non-potable water. The sale of bonds by the UTRWD will be considered for funding the facilities. Payments will be comprised of three components including an Operation and Maintenance Component, a Capital Component and a special reserve for operation and maintenance cost of the system. Annual budgets will be prepared for the system. The District will pay its annual payment including facilities charges and charges for the actual volume of water taken. The agreement is in effect for thirty (30) years from the effective date of the agreement. On October 1, 1997, the District started funding the cost of the agreement with the UTRWD.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 11. WATER SUPPLY AGREEMENTS – CONTINUED

Wholesale Water Supply Agreement with the City of Lewisville

On January 28, 2008, District No. 1-A entered into a wholesale water supply agreement with the City of Lewisville (City). The City agrees to provide wholesale water supply to District No. 1-A for the City Wholesale Service Area. Within the City Wholesale Service Area, District No. 1-A agrees not to use potable water, including ground water, from any source or facilities other than from the City system without the prior written consent of the City Council of the City. District No. 1-A agrees, at its sole expense, to design and construct the infrastructure necessary to enable the City to connect the City system to District No. 1-A's system.

District No. 1-A will be charged a two-part rate, consisting of a volume rate and a demand rate (Charges), based on the City Wholesale Service Area's treated water consumption and Maximum Day Demand. The initial demand capacity requested from the City is 300,000 gallons per day.

The initial volume rate is \$1.49 per 1,000 gallons and demand rate of \$299,160 per million gallons per day, paid monthly. The term of this agreement ends the earlier of August 18, 2032, or such date specified for District's annexation by the City.

NOTE 12. OPERATING AGREEMENTS

On July 15, 1999, the District entered in to an Amended and Restated Operating Agreement with Denton County Fresh Water Supply District No. 1-B (District No. 1-B) with an effective date of October 1, 1997, and a separate Amended and Restated Operating Agreement with Denton County Fresh Water Supply District No. 1-C (District No. 1-C) with an effective date of August 13, 1997. On June 14, 2000, the District executed an Operating Agreement with Denton County Fresh Water Supply District No. 1-D (District No. 1-D). The agreement was effective November 1, 1999.

On September 18, 2001, effective October 1, 2001, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-E (District No. 1-E). The District also executed amended operating agreements with Districts 1-B, 1-C and 1-D on September 18, 2001, effective October 1, 2001. On November 15, 2007, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-F (District No. 1-F). On February 19, 2008, effective March 1, 2008, the District executed amended operating agreements with District Nos. 1-B, 1-C, 1-D, 1-E and 1-F. On March 18, 2008, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-G (District No. 1-G). On September 16, 2008, the District executed an operating agreement with Denton County Fresh Water Supply District No. 1-H (District No. 1-H). On September 16, 2008, effective October 1, 2008, the District executed amended and restated operating agreements with District Nos. 1-B, 1-C, 1-D, 1-E, 1-F, 1-G and 1-H. The termination on all agreements is the fortieth (40th) anniversary date of the agreements.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 12. OPERATING AGREEMENTS – CONTINUED

The District is responsible for operating, maintaining, and managing the Facilities, as defined in the joint utility contract, to be constructed within the boundaries of the once defined Denton County Fresh Water Supply District No. 1. Which includes District Nos. 1-B, 1-C, 1-D, 1-E, 1-F, 1-G and 1-H (Participating Districts).

The District is responsible for preparing and submitting to the Participating Districts a Facilities Operating and Maintenance Budget (FOMB) by September 1 of each year for the next fiscal year expected to start October 1. With the exception of costs based on customer usage, if the total actual costs do not exceed the FOMB by more than 12% the Participating Districts' revision requests are only advisory. If the reverse is true, the new budget will not take effect until approved by the Board of Directors of the Participating Districts. The District shall be authorized to make expenditures not approved in the FOMB if: 1) Immediately required by law, or, 2) not in excess of \$5,000, with notification efforts being made to the applicable district.

The District agreed to handle all aspects of operating the Participating Districts including contracting for consultants, negotiating with various utility companies, coordinating with various governmental entities, reviewing all statements, invoices and billings, supervising and coordinating contractors, verifying insurance on contractors and facilities and recommending water and sewer rates. The District will employ personnel as required.

The respective districts being operated by the District agreed to institute a rate order containing, water, sewer, solid waste collection, building permits and inspection fees in an amount sufficient to cover expenses. The District agreed to provide such issuance of permits and inspection fees and management of the utility system. The fees for such permits and inspection services, payable to the District, will be the amount charged for the services. The Participating Districts agreed to fund a pro-rata portion of overhead cost incurred by the District from proceeds of the water, sewer and solid waste collection revenues.

The District agreed to provide construction and contract management services for the districts and has agreed to maintain and operate the roads and bridges. The Participating Districts have agreed to fund the cost of such services as required.

On August 17, 2005, the District approved the Amended and Restated Operating Agreement with District Nos. 1-B, 1-C, 1-D and 1-E. These new agreements became effective October 1, 2005. In accordance with these agreements, the cost of maintenance of the facilities within the districts of the Castle Hill Subdivision shall be allocated to each district based on the basis of projected water connections. Projected water connections are defined as those new connections that are projected to occur during the next succeeding fiscal year for all the districts. Each district's cost will be calculated based upon a fraction, the numerator of which shall be the total number of actual and projected water connections within each district divided by the total number of actual and projected water connections within all the districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the districts and shall be recalculated as of the first of each succeeding fiscal year thereafter.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 12. OPERATING AGREEMENTS – CONTINUED

On September 17, 2008, the Participating Districts approved the Amended and Restated Operating Agreement. This agreement was effective on October 1, 2008. All other provisions remained the same, with the exception of the allocation of the maintenance costs. In accordance with the agreement, costs of the maintenance of the facilities within the districts of the Castle Hills Subdivision shall be allocated to each district on the basis of projected property values. Projected property values are defined as the combined total value of all property that exists on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the districts.

Each district's cost will be calculated based upon a fraction, the numerator of which shall be the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within each district, divided by the total projected property value on January 1, the year immediately following the completion of the fiscal year being budgeted within all of the districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the districts and shall be recalculated as of the first day of each succeeding fiscal year thereafter. This agreement terminates on the fortieth (40th) anniversary of October 1, 2008.

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

In June, 2009, District No. 1-A, District No. 1-B, District No. 1-C, District 1-D, District 1-E, District 1-F, District 1-G, and District 1-H, approved a Strategic Partnership Agreement (SPA) with the City of Lewisville. The Agreement allowed the City of Lewisville to annex certain properties for the limited purpose of imposing a sales and use tax on certain properties within each District. The sales and use tax collected will be used first to cover the cost of the City of Lewisville providing public safety services to the Districts. If, after all public safety costs are covered, there are surplus funds, then those funds are split 50%/50% between the City of Lewisville and District 1-A. Upon receipt of surplus funds, District 1-A will allocate those funds to the District(s) that generated the sales and use tax. The Agreement specifies that a District that receives funds from the SPA must first use those funds to repay any outstanding developer debt. If no outstanding developer debt exists, the funds can be used for any lawful purpose. The Agreement will expire June, 2019 unless the City of Lewisville either; 1) renews the agreement, or 2) fully annexes the District.

NOTE 14. UNREIMBURSED DEVELOPER COST

On November 1, 1996, the District ratified participation in an Agreement for Construction and Purchase of Facilities and Reimbursements for Cost dated April 24, 1995, with Bright Farm Partnership (the Developer) to provide the advancement of monies to facilitate the operations of the District.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 14. UNREIMBURSED DEVELOPER COST – CONTINUED

In 2008, the District 1-A contracted with a consultant to complete a Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to Bright Farm Partnership, Castle Hills Property Company, and Bright Realty, LTD. (collectively the Developer).

In May, 2009, the report was presented to the District 1-A Board of Directors that indicated that a combined amount of \$1,278,717 was due to District 1-A from District 1-B, District 1-C, District 1-D, District 1-E, District 1-F, District 1-G and District 1-H. The following table outlines the activity in the amounts by District for the year ended September 30, 2012:

District	Beginning Balance Due to 1-A	Additions	Repayments	Ending Balance Due to 1-A
District 1-C	\$ 3,365	\$ -	\$ -	\$ 3,365
District 1-D	583,602	-	-	583,602
District 1-E	143,180	-	-	143,180
District 1-F	150,108	-	-	150,108
District 1-G	92,913	-	-	92,913
District 1-H	305,549	-	-	305,549
Total	\$ 1,278,717	\$ -	\$ -	\$ 1,278,717

Effective May 20, 2009, the District entered into a reimbursement agreement between Castle Hills Development Corporation Bright Realty, Ltd., Bright Farm Partnership, Bright & Company, Inc., Castle Hills Property Company (collectively Bright Entities), District No. 1-C, District No. 1-D, District No. 1-E, District No. 1-F, District No. 1-G, and District No. 1-H (collectively the Districts). For advances made by Bright Entities on or before November 20, 2006, the Districts will reimburse the relevant Bright Entity for 100% of such advances. For advances made by a Bright Entity after November 20, 2006, the Districts will transfer reimbursement funds to the District. The District will act as a clearinghouse for receipt of reimbursement proceeds and for the deployment of such proceeds to any District that would otherwise require an advance from a Bright Entity. Any reimbursement for advances received by the District will be considered as a full complete release of that particular district's obligation pursuant to existing developer reimbursement agreements.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 14. UNREIMBURSED DEVELOPER COST – CONTINUED

In addition to the \$1,278,717 shown above, the District has recorded \$2,892,477 as an additional receivable from the other governmental units and as a liability the amount due to the Developer in accordance with this agreement in the statement of net assets. The following table outlines the activity in the balances due to the District from the other districts for the year ended September 30, 2012.

District	Beginning Balance Due to 1-A	Additions	Repayments	Ending Balance Due to 1-A
District 1-C	\$ 1,000	\$ 45,205	\$ -	\$ 46,205
District 1-D	1,743,906	-	-	1,743,906
District 1-E	1,507,587	-	(1,049,808)	457,779
District 1-F	5,497,552	178,040	(5,242,712)	432,880
District 1-G	140,236	-	-	140,236
District 1-H	54,737	16,734	-	71,471
Total	<u>\$ 8,945,018</u>	<u>\$ 239,979</u>	<u>\$ (6,292,520)</u>	<u>\$ 2,892,477</u>

The following table outlines the activity in the balances due by the District to the Developer for the year ended September 30, 2012.

	Beginning Balance	Additions	Repayments	Ending Balance
Due to developer	\$ 10,223,735	\$ 239,979	\$ (6,292,520)	\$ 4,171,194
Total	<u>\$ 10,223,735</u>	<u>\$ 239,979</u>	<u>\$ (6,292,520)</u>	<u>\$ 4,171,194</u>

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 16. EXCESS CAPACITY PURCHASE AGREEMENT

On August 31, 1999, the District executed an agreement with Denton County Fresh Water Supply District No. 1-B (District No. 1-B). In accordance with the agreement, District No. 1-B agreed to sell excess capacity it has either purchased or constructed to the District. The capacity sold included drainage capacity constructed for the drainage basins, offsite water facilities, offsite sewer facilities, metering man holes and major water lines, thoroughfares and entrances and certain bridge and structural road facilities.

The District agreed to pay District No. 1-B \$4,100,000 for the excess capacity. On November 19, 1999, the District received \$1,875,158 from Denton County Fresh Water Supply District No. 1-D for a portion of the excess capacity purchased from District No. 1-B and \$75,006 from District No. 1-C. These amounts were forwarded to District No. 1-B in satisfaction of a portion of the amount due District No. 1-B. In addition, during the September 30, 2000, fiscal year, the Developer advanced \$1,211,415 to the District which was also paid to District No. 1-B in partial satisfaction of the amount due District No. 1-B. District No. 1-B subsequently repaid this amount to the Developer. In the September 30, 2001 fiscal year, the District received \$2,147,684 from PID 3 on behalf of District No. 1-E. The District continues to own \$2,152 in capacity previously constructed by PID No. 1 within the boundaries of District No. 1-B.

NOTE 17. PENSION PLAN

Plan Description

On October 1, 2008, the District initiated a retirement plan. The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 17. PENSION PLAN – CONTINUED

Plan Description – Continued

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 8.99% for the months of the calendar year in 2011, and 8.99% for the months of the calendar year in 2012.

The contribution rate payable by the employee members for 2011 and 2012 is the rate of 7% as adopted by the District. The employee contribution rate and the employer contribution rate may be changed by the District within the options available in the TCDRS Act.

Annual Pension Cost

For the fiscal year ending September 30, 2012, the annual pension cost for the TCDRS plan for the District's employees was \$99,438 and the employee contributions were \$81,667. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employees, parameters based on the actuarial valuations as of October 1, 2008, and December 31, 2008 and 2009, the basis for determining the contribution rates for fiscal years 2008 and 2009. The December 31, 2011 actuarial valuation is the most recent valuation.

	Actuarial Valuation Information		
	December 31, 2009	December 31, 2010	December 31, 2011
Actuarial valuation date	Entry age	Entry age	Entry age
Actuarial cost method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization method	8.6	3.8	4.5
Amortization period in years			

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 17. PENSION PLAN – CONTINUED

Annual Pension Cost – Continued

	December 31, 2009 (SAF: 10-year smoothed value)	December 31, 2010 (SAF: 10-year smoothed value)	December 31, 2011 (SAF: 10-year smoothed value)
Asset Valuation Method	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial assumptions			
Investment return *	8.0%	8.0%	8.0%
Projected salary increases*	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

*Includes inflation as the stated rate

The City's net pension obligation (NPO) for TCDRS is calculated as follows:

Fiscal Year	September 30, 2010	September 30, 2011	September 30, 2012
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution	92,996	98,628	99,438
Contributions made	(92,996)	(98,628)	(99,438)
NPO, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following is the schedule of funding progress for the retirement plan for the employees of the District:

Actuarial Valuation Date	December 31, 2009	December 31, 2010	December 31, 2011
Actuarial value of assets	\$ 207,845	\$ 385,119	\$ 587,743
Actuarial accrued liability	319,517	448,854	667,701
Underfunded (overfunded) actuarial accrued liability	111,672	63,735	79,958
Funded ratio	65.05%	85.80%	88.02%
Annual covered payroll	997,273	1,028,821	1,106,075
UAAL as a percentage of covered payroll	11.20%	6.19%	7.23%

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 18. OFFICE SPACE LEASE AGREEMENT

On September 5, 2008, the District executed an operating lease for office space. The lease is for 60 months with a base rent of \$11,546 per month. In the current year the expense for this lease totaled \$138,552. These lease payments are split between all Participating Districts in accordance with each individual operating contract. Currently the future required lease payments are as follows:

2013	138,552
Total base future lease obligations	\$ 138,552

NOTE 19. OPERATING LEASES

On February 12, 2008, the District executed a new operating lease for a copy machine. The agreement provides for the District to lease the copy machine for 60 months at the rate of \$273 per month. In the current year the expense for this lease totaled \$3,279. These lease payments are split between all Participating Districts in accordance with each individual operating contract. Currently, the future lease payments are as follows:

2013	546
Total base future lease obligations	\$ 546

On August 22, 2010, the District executed a new operating lease for another copy machine. The agreement provides for the District to lease the copy machine for 60 months at the rate of \$186 per month. In the current year the expense for this lease totaled \$2,228. These lease payments are split between all Participating Districts in accordance with each individual operating contract. Currently, the future lease payments are as follows:

2013	2,228
2014	2,228
2015	1,485
Total base future lease obligations	\$ 5,941

On March 2, 2007, the District executed an operating lease for a postage machine. The agreement provides for the District to lease the postage machine for sixty (60) months at the rate of \$124 a month. In the current year the expense for this lease totaled \$373. These lease payments are split between all Participating Districts in accordance with each individual operating contract. This lease ended in March 2012 and was not renewed.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 20. COMMITMENTS AND CONTINGENCIES

Outstanding Commitments

Outstanding commitments at September 30, 2012, under authorized construction contracts were approximately \$0. These outstanding commitments are to be financed by available cash and investment balances as well as additional proceeds available from the District's federal loan program.

Litigation

The District is party to legal actions arising in the ordinary course of business. In the opinion of the District's management, the District has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the District's operations or financial position.

In 2010, Coserv, an electric utility, filed suit against a contractor hired by the District for damages made to Coserv's property by the contractor in the course of work performed by the contractor for the District. The District was named as a co-defendant on the suit. The suit was eventually settled in December 2012 for \$300,000 which was paid by the contractor. As part of the settlement the District was released.

In March 2012, the District filed a lawsuit against Denton County Fresh Water Supply District No. 1-B to resolve ongoing disputes with District No. 1-B regarding reserve funds and certain provisions of the Operating Agreement between the two districts. In May 2013, the two districts agreed to a settlement and District 1-A dismissed the suit. As part of the agreement, District No. 1-A will return \$20,000 of the \$150,000 reserve payments District No. 1-A received from District 1-B for fiscal year 2011. District No. 1-A will retain the remaining \$130,000 in a reserve account for scheduled repairs, replacements, and emergency expenditures outlined in the settlement agreement. Further, District No. 1-A will return the \$64,286 of reserve funds received from District No. 1-B and cancel the remaining receivable due from District 1-B for \$85,714 for fiscal year 2012. The second part of the settlement agreement specifies that District No. 1-B will maintain a separate emergency fund in the amount of \$50,000. The last part of the settlement agreement was resolved by District No. 1-B depositing with District No. 1-A an operating reserve in the amount of \$150,000. This account will be used to pay District No. 1-B's share of the monthly expenditures, if District No. 1-B's expenditures exceed revenue. District No. 1-B will then replenish the account at their next board meeting.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 20. COMMITMENTS AND CONTINGENCIES – CONTINUED

Litigation – Continued

In July 2011, Champion Utility Construction LLC sued the District for non payment of contractor services provided to the District. The District disputed the liability by asserting that the work was not properly completed and was not finished on time. In January 2013, the District settled with Champion for \$80,000 and obtained a release from the plaintiff. The District has recorded a liability for the settlement as of September 30, 2012.

NOTE 21. SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after September 30, 2012 up through October 15, 2013, the date the financial statements were issued. During this period there were no subsequent events requiring disclosure

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SCHEDULE OF REIMBURSEMENTS TO (FROM) OTHER
GOVERNMENTAL UNITS – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	District No. 1-A	District No. 1-B	District No. 1-C
Reimbursements to (from) other governmental units:			
Personnel	\$ (1,202,749)	\$ 292,686	\$ 16,889
Contracted labor	(48,500)	7,760	485
Insurance	(202,677)	49,695	2,791
Office supplies	(38,569)	8,600	402
Office rental	(177,344)	45,400	2,483
Utilities	(532,408)	100,677	2,130
Landscape maintenance	(429,102)	81,144	1,716
Public safety	(361,674)	68,392	1,447
Public safety revenue allocations	361,674	(68,392)	(1,447)
Purchased water services	(1,376,799)	260,353	5,507
Non-potable	(307,000)	58,054	1,228
Dues and subscriptions	(22,291)	5,548	323
Communication	(54,486)	13,444	727
Training	(16,295)	3,991	224
Capital purchases	-	-	-
Bond payment funding	(170,000)	32,147	680
Equipment rental	(78,008)	17,341	629
Supplies	(108,430)	27,164	1,305
Maintenance	(395,539)	76,286	1,752
Other	(79,276)	17,094	819
Total reimbursements to (from) other governmental units	<u>\$ (5,239,473)</u>	<u>\$ 1,097,384</u>	<u>\$ 40,090</u>

District No. 1-D	District No. 1-E	District No. 1-F	District No. 1-G	District No. 1-H
\$ 299,953	\$ 247,693	\$ 294,529	\$ 50,999	\$ -
10,185	9,215	17,945	2,910	-
50,744	41,977	49,596	7,874	-
10,036	7,838	9,203	2,228	262
45,400	36,533	40,789	6,739	-
146,411	105,524	128,045	40,623	8,998
118,003	85,048	103,199	32,740	7,252
99,460	71,684	86,983	27,596	6,112
(99,460)	(71,684)	(86,983)	(27,596)	(6,112)
378,619	272,882	331,120	105,050	23,268
84,425	60,847	73,834	23,424	5,188
5,622	4,557	5,252	989	-
13,704	11,240	13,405	1,966	-
4,084	3,351	4,025	620	-
-	-	-	-	-
46,750	33,694	40,885	12,971	2,873
20,799	15,932	18,684	3,935	688
27,791	22,822	26,476	2,772	100
108,341	78,696	95,165	28,993	6,306
20,682	16,068	19,125	4,550	938
<u>\$ 1,391,549</u>	<u>\$ 1,053,917</u>	<u>\$ 1,271,277</u>	<u>\$ 329,383</u>	<u>\$ 55,873</u>

THIS PAGE INTENTIONALLY LEFT BLANK

**SUPPLEMENTARY INFORMATION - REQUIRED BY THE WATER
DISTRICT FINANCIAL MANAGEMENT GUIDE**

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)- GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Project management fee	\$ 243,265	\$ 243,265	\$ 386,802	\$ 143,537
Charges for service	-	-	20,015	20,015
Water service	13,374	13,374	-	(13,374)
Penalty and interest	-	-	7	7
Permits and inspections	-	-	100	100
Investment revenues	-	-	20,750	20,750
Miscellaneous revenues	-	-	19,299	19,299
TOTAL REVENUES	<u>256,639</u>	<u>256,639</u>	<u>446,973</u>	<u>190,334</u>
EXPENDITURES				
Service operations:				
Personnel	1,490,236	1,490,236	1,405,426	84,810
Contracted services	485,000	485,000	477,602	7,398
Director expenditures	10,740	10,740	12,017	(1,277)
Administrative expenditures	217,810	217,810	346,250	(128,440)
Purchased water service	1,393,962	1,393,962	1,398,623	(4,661)
Purchased wastewater service	7,623	7,623	6,709	914
Purchased non-potable water service	307,000	307,000	307,000	-
Utilities	605,400	605,400	586,894	18,506
Repairs and maintenance	445,900	457,066	395,540	61,526
Supplies and other charges	492,962	458,345	520,214	(61,869)
Allocated costs	(5,470,066)	(5,470,066)	(5,239,473)	(230,593)
Capital outlay	86,700	110,151	-	110,151
Debt service:				
Principal	-	-	183,927	(183,927)
Interest	-	-	1,088	(1,088)
TOTAL EXPENDITURES	<u>73,267</u>	<u>73,267</u>	<u>401,817</u>	<u>(328,550)</u>
EXCESS OF REVENUES OVER EXPENDITURES	183,372	183,372	45,156	(138,216)
OTHER FINANCING SOURCES (USES)				
Transfer In (Out)	-	-	(224,300)	224,300
Proceeds from disposal of fixed assets	-	-	33,000	(33,000)
Contributions from other governmental units	-	-	280,000	280,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>88,700</u>	<u>471,300</u>
NET CHANGE IN FUND BALANCES	183,372	183,372	133,856	333,084
FUND BALANCE AT OCTOBER 1, 2011	<u>908,642</u>	<u>908,642</u>	<u>908,642</u>	<u>-</u>
FUND BALANCES SEPTEMBER 30, 2012	<u>\$ 1,092,014</u>	<u>\$ 1,092,014</u>	<u>\$ 1,042,498</u>	<u>\$ 333,084</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> X </u>	Parks/Recreation	<u> X </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> X </u>	Flood Control	<u> X </u>	Roads
	Participates in joint venture, regional system and/or wastewater service (other than				
<u> X </u>	emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1" METER (OR EQUIVALENT):

Based on the rate order approved September 27, 2011

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Usage</u>	<u>Usage Levels</u>
Water:	34.75	2,000	N	3.74	2,001 to 15,000
				4.24	15,001 to 25,000
				5.06	25,001 to 35,000
				6.06	35,001 to 45,000
				7.06	45,001 to 55,000
				8.06	55,001 and up
Wastewater:					
Residential	15.39		N	5.60	All
Residential	62.97		Y		New Customers
Commercial	15.39		N	5.60	All
Surcharge:					
Solid waste/ garbage	15.43		Y		
Commission	.5% of actual				
Regulatory Assessments	water and sewer bill				

District employs winter averaging for wastewater usage? X Yes No

Total monthly charges per 10,000 gallons usage: Water: \$64.67 Wastewater: \$54.35
Solid Waste: \$16.59

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

2. RETAIL SERVICE PROVIDERS – CONTINUED

b. WATER AND WASTEWATER RETAIL CONNECTIONS (Unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered			X 1.0	0
≤ 3/4"	0	0	X 1.0	0
1"	1	1	X 2.5	2.5
1 1/2"	0	0	X 5.0	0
2"	0	0	X 8.0	0
3"	0	0	X 15.0	0
4"			X 25.0	
6"			X 50.0	
8"			X 80.0	
10"			X 115.0	
Total water connections	1	1		2.5
Total wastewater connections	0	0	X 1.0	0

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

		Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	15,884,700	<u>94.1%</u>
Gallons purchased:	16,880,000	<u>From: Our water suppliers</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have debt service standby fees? Yes _____ No X

Does the District have operation and maintenance standby fees? Yes _____ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county? Yes X No _____

County or Counties in which District is located:

Denton County, TX.

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

City or Cities in which District is located:

City of Lewisville, TX.

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely X Partly _____ Not at all _____

ETJ's in which District is located:

City of Lewisville, TX.

Are Board Members appointed by an office outside the District? Yes _____ No X

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Personnel expenditures	
State certification	\$ 1,938
Medicare expense	16,954
Retirement contribution	104,885
Salaries and wages	1,162,027
Unemployment tax expense	8,859
Insurance	<u>110,763</u>
Total personal expenditures	<u>1,405,426</u>
Contract services:	
Contract labor	<u>477,602</u>
Total contract services	<u>477,602</u>
Director expenditures:	
Personnel expenditures	3,760
Directors costs	3,259
Director fees	4,496
Payroll taxes and administration	<u>502</u>
Total director expenditures	<u>12,017</u>
Administrative expenditures:	
Auditing	25,000
Engineering	74,397
Legal	183,265
Insurance	57,663
Election Costs	75
Tap connection expenditures	<u>5,850</u>
Total administrative expenditures	<u>346,250</u>
Purchased services for resale:	
Water service	1,398,623
Wastewater service	6,709
Purchased non-potable water service	<u>307,000</u>
Total purchased services for resale	<u>1,712,332</u>
Utilities:	
Telephone	54,486
Electricity	187,889
Water service	<u>344,519</u>
Total utilities expenditures:	<u>586,894</u>

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Repairs and Maintenance	
Water system	\$ 74,263
Sewer system	58,962
Effluent system	1,000
Streets and drainage	129,017
Parks	81,942
Building	6,749
Vehicle and equipment	43,607
	<hr/>
Total repairs and maintenance	395,540
Supplies and other charges:	
Supplies- postage	15,512
Office rental	177,344
Equipment rental	30,453
Supplies- small tools	15,377
Supplies- uniforms	11,384
Supplies- gas and oil	81,669
Bank fees	500
Advertising	3,459
Lease office equipment	47,555
Travel and meetings	3,991
Training and education	16,295
Dues and subscriptions	22,291
Office supplies and postage	23,057
Other and misc. expenses	71,327
	<hr/>
Total supplies and other charges	520,214
Reimbursement from other governmental units	(5,239,473)
Debt service:	
Lease principal	183,927
Lease interest	1,088
	<hr/>
Total Debt Service	185,015
Total expenditures	\$ 401,817
	<hr/> <hr/>

(Note: Personnel costs are allocated to the Participating Districts in the Castle Hills Development.)
Number of persons employed by the District
Full-time:28
Part-time:1

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS**

	Amounts			
	2012	2011	2010	2009
REVENUES:				
Project management fee	\$ 386,802	\$ 286,739	\$ 326,929	\$ 259,487
Charges for service	20,015	20,015	58,011	50,498
Water service	-	4,686	6	696
Wastewater service	-	-	-	109
Penalty and interest	7	5	2	341
Permits and inspections	100	305	1,095	19,054
Franchise fees	-	-	-	4,957
Property tax revenues	-	931	-	-
Investment revenues	20,750	7,427	7,454	10,785
Federal program revenues	-	-	-	-
Miscellaneous revenues	19,299	7,943	11,429	-
TOTAL REVENUES	<u>446,973</u>	<u>328,051</u>	<u>404,926</u>	<u>345,927</u>
EXPENDITURES/EXPENSES				
Service operations:				
Personnel	-	-	5,268	58,905
Contracted services	-	5,963	-	13,103
Director expenditures	12,017	10,852	8,851	10,505
Administrative expenditures	346,250	239,609	308,530	138,639
Purchased water service	21,824	4,744	366	9,646
Purchased wastewater service	6,709	2,266	1,493	-
Utilities	-	-	-	1,608
Repairs and maintenance	1	2,725	2,152	17,756
Supplies and other charges	(169,999)	651	318	9,321
Capital outlay	-	-	-	93,758
Debt service:				
Lease principal	183,927	18,317	54,909	45,685
Lease interest	1,088	1,698	3,102	5,542
TOTAL EXPENDITURES/EXPENSES	<u>401,817</u>	<u>286,825</u>	<u>384,989</u>	<u>404,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>45,156</u>	<u>41,226</u>	<u>19,937</u>	<u>(58,541)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal	33,000			
Transfer in (out)	(224,300)			
Capital lease financing	-	-	-	92,185.00
Contributions by other governmental units	280,000	710,000	476,552	-
Developer repayment	-	-	(476,552)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,700</u>	<u>710,000</u>	<u>-</u>	<u>92,185</u>
NET CHANGE IN FUND BALANCES	133,856	751,226	19,937	33,644
FUND BALANCES AT OCTOBER 1, 2011	<u>908,642</u>	<u>157,416</u>	<u>137,479</u>	<u>103,835</u>
FUND BALANCES AT SEPTEMBER 30, 2012	<u>\$ 1,042,498</u>	<u>\$ 908,642</u>	<u>\$ 157,416</u>	<u>\$ 137,479</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Percent of Total Revenues

2008	2012	2011	2010	2009	2008
\$ 39	86.5 %	87.5 %	80.8 %	75.0 %	0.0 %
-	4.5	6.1	14.3	14.6	0.0
2,726	0.0	1.4	0.0	0.2	1.1
229,335	0.0	0.0	0.0	0.0	95.7
-	0.0	0.0	0.0	0.1	0.0
93	0.0	0.1	0.3	5.5	0.0
5,910	0.0	0.0	0.0	1.4	2.5
-	0.0	0.3	0.0	0.0	0.0
1,607	4.6	2.3	1.8	3.1	0.7
-	0.0	0.0	0.0	0.0	0.0
-	4.3	2.4	2.8	0.0	0.0
<u>239,710</u>	<u>99.9</u>	<u>100.1</u>	<u>100.0</u>	<u>99.9</u>	<u>100.0</u>

4,203	0.0	0.0	1.3	17.0	1.8
3,723	0.0	1.8	0.0	3.8	1.6
-	2.7	3.3	2.2	3.0	0.0
123,263	77.5	73.0	76.2	40.1	51.4
7,586	4.9	1.4	0.1	2.8	3.2
2,463	1.5	0.7	0.4	0.0	1.0
1,081	0.0	0.0	0.0	0.5	0.5
4,795	0.0	0.8	0.5	5.1	2.0
90,774	-38.0	0.2	0.1	2.7	37.9
94,244	0.0	0.0	0.0	27.1	39.3
	0.0	0.0	0.0	0.0	0.0
29,703	41.1	5.6	13.6	13.2	12.4
4,761	0.2	0.5	0.8	1.6	2.0
<u>366,596</u>	<u>89.9</u>	<u>87.4</u>	<u>95.1</u>	<u>116.9</u>	<u>153.0</u>

(126,886) 10.0 % 12.7 % 4.9 % -17.0 % -53.0 %

-
128,021
-
128,021
1,135
102,700
\$103,835

19
2

* Note District No. 1-A changed its method for allocating expenses to the District. Allocated costs have been combined with related line item for comparison purposes.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2012
(UNAUDITED)**

District Mailing Address - Denton County Fresh Water Supply District No. 1-A
2540 King Arthur, Suite 220
Lewisville, TX 75056

District Telephone No. - (972) 899-4000

<u>Board Members</u>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2012</u>	<u>Expense Reimbursements for the year ended September 30, 2012</u>	<u>Title</u>
<u>Gaylord S. O'Con</u>	5/12/2013	\$ 1,350	\$ -	President
John Philip Brosseau	5/12/2013	\$ 1,500	\$ -	Vice President
Scott Beard	5/12/2013	\$ 1,650	\$ 154	Treasurer/ Secretary
Charles E. Lawson	5/12/2013	\$ 1,800	\$ 9	Assistant Secretary
J. Jack Hays	5/12/2013	\$ 1,800	\$ -	Assistant Treasurer

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): March 28, 2013.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by the Texas Water Code Section 49.060. On May 18, 2005, the District formally adopted a Resolution setting the limits for its Directors at \$3,500. Fees of office shown above are at the amount actually paid to a Director during the District's current fiscal year.

**DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS – CONTINUED
SEPTEMBER 30, 2012
(UNAUDITED)**

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2012</u>	<u>Title</u>
Kelly Hart & Hallman, LLP 201 Main Street, Suite 2500 Fort Worth, TX 76102	6/3/2008	\$ 91,996	Attorney
Hurt & Berry, LLP 10670 North Central Expwy, Suite 450 Dallas, TX 75231	5/3/2010	\$ 0	Attorney
IDS / Pate Engineers, Inc. 1333 Northwest Fwy, Suite 300 Houston, TX 77040	11/16/2009	\$ 63,103	Project Engineer
Liz Standerfer 2540 King Arthur, Suite 220 Lewisville, TX 75056	3/30/2009	\$ 833	Investment Officer
Denton County Appraisal District 3911 Morse Denton, TX 76208	Legislative Action	0.00	Property Tax Appraisals
Denton County Tax Collector 2540 King Arthur, Suite 220 Lewisville, TX 75056	Legislative Action	0.00	Property Tax Assessments